



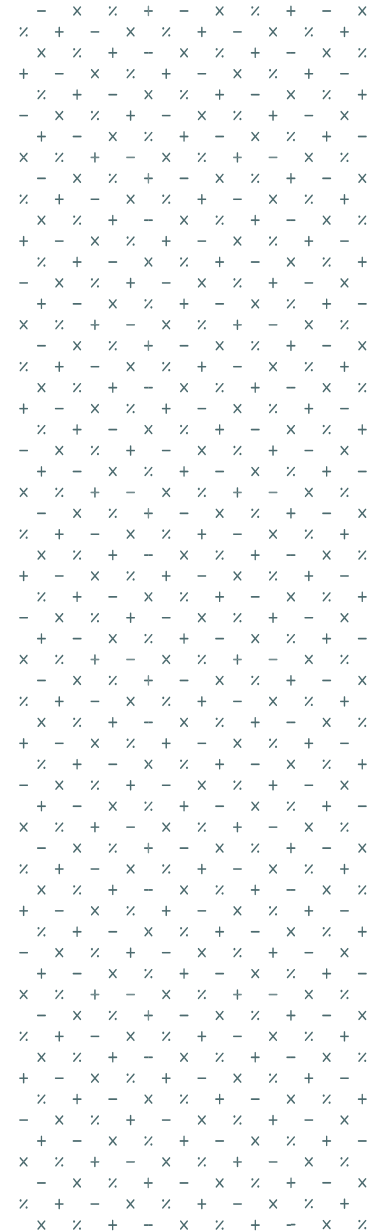
# Seattle Public Utilities

Report to Civil Rights, Utilities, Economic  
Development and Arts

A Committee of the Seattle City Council

## REPORT ON 2018 AUDITS

Presented by: Laurie Tish and Tyler Reparuk



# Purpose of our Audits

---

- Audits of Seattle Public Utilities (SPU) are relied upon by the Washington State Auditor's Office in their audit of the City – no duplication of efforts
- The financial statements of Seattle Public Utilities are 'rolled up' into the City of Seattle's Comprehensive Annual Financial Report
- Audit opinion for each Fund is used in official statements for bond issuances
- Report and financial statements are also available to other stakeholders



# Scope of our Audits

---

- Separate audit for each of the three utilities: Water, Drainage & Wastewater, Solid Waste
- SPU management is responsible for the preparation and fair presentation of the financial statements
- Auditor's responsibility is to express an opinion on the financial statements
  - Presented fairly in all material respects
  - In conformity with generally accepted accounting principles
- We test certain systems within the structure of internal controls in place at SPU, and verify debt coverage and debt covenant compliance



# Reports Issued

---

## Report on financial statements

- Unmodified Opinion for each of the separate statements for Water, Drainage & Wastewater and Solid Waste Funds

## Internal control matters

- No material weaknesses noted as a result of our audits
- No significant deficiencies reported
- No written recommendations issued this year



# Areas of Audit Significance

---

- Cash and Investments: Earnings and classification
- Utility Plant and Related Accounts: Work order cycle, capital projects, depreciation, overhead charges
- Accounts and Other Receivables
- Bonds and Related Accounts: Issuances and repayments, interest expense, covenant compliance, arbitrage liability, debt defeasance
- Regulatory Assets and Liabilities/Credits and Deferred Accounts
- Internal Controls: Cash receipts and disbursements, payroll, financial close and reporting, budgeting, treasury, debt, information technology/general computer controls



# Areas of Audit Significance - Cont'd

---

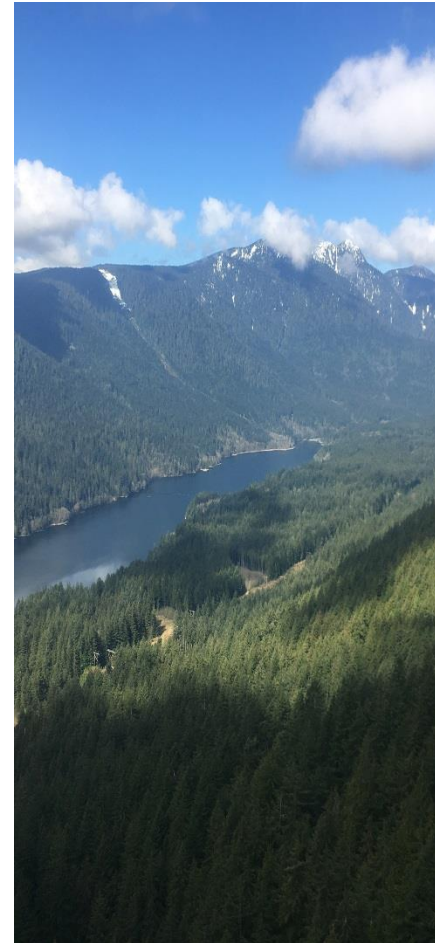
- Accrued Liabilities: Environmental remediation liability, pollution remediation obligation and landfill closure/post-closure care
- Litigation and Contingencies
- Operations: Retail and wholesale sales, operating expenses, capital and operating contributions and grants
- Net Position Classification
- Change in accounting systems during 2018
- Management Discussion & Analysis and Note Disclosures



# Required Communications

---

- Significant Accounting Policies (Note 1)
  - New policies or changes to existing policies
    - Adopted GASB Statement No. 75 – Other Post Employment Benefits (OPEB)
    - Adopted GASB Statement No. 89 – Capitalized Interest
  - Accounting estimates
    - Unbilled revenue
    - Allowance for doubtful accounts
    - Certain bond related accounts
    - Recovery periods for the cost of plant, capitalized interest
    - Environmental liabilities, litigation, contingencies
    - Landfill closure and postclosure care (Solid Waste)
    - Other post employment benefits, compensated absences





# Required Communications - Cont'd

---

- The following adjustments were proposed by Moss Adams and recorded by management:
  - Drainage & Wastewater Fund – two reclassifying adjusting entries which had no effect on the operations of the fund
  - Solid Waste Fund – no adjustments
  - Water Fund – no adjustments
- Representation letters were obtained from management
- There were no disagreements with management
- We are not aware of any consultation with other accountants
- There were no difficulties encountered in performing the audit
- Moss Adams is independent with respect to SPU and the City of Seattle



# Acknowledgements

---

- Seattle Public Utilities management and staff across all departments were courteous, responsive and timely with their assistance to our audit team
- All requested schedules were prepared and provided on a timely basis and were properly supported by source documents and schedules
- ‘Tone at the Top’ and attitude from management was one of helpfulness, candor, and openness in response to audit requests and discussion points

